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To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina, Chair Pro Tem
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David Sanders, Ph.D.
Director

Board of Supervisors
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IV-E WAIVER UPDATE

We were informed by the California Department of Social Services (CDSS) that the IV-E Waiver Proposal was submitted to the Federal Department of Health and Human Services on May 24, 2004. CDSS rewrote the version we submitted to assure that it was communicated from the State perspective rather than a local perspective and to allow other California counties to choose to be part of the waiver demonstration. DCFS staff had not seen the rewrite until it was submitted. The State submission is attached to this cover memo and we are reviewing it for any substantive changes to our initial proposal. I will inform you of any substantive changes and will provide you an update as we receive information regarding the federal review process.

If you have questions, please call me or your staff may contact Helen Berberian, our Board Liaison at (213) 351-5030.

DS:mdd

Attachment

c: Chief Administrative Officer
County Counsel
Executive Office

TITLE IV-E CHILD WELFARE WAIVER DEMONSTRATION PROJECT PROPOSAL

I. BACKGROUND

The current Child Welfare System is primarily funded through Title IV-B and Title IV-E of the Social Security Act (SSA). Title IV-E foster care funds are open-ended and allocated to the State based on the actual board and care costs of eligible children in out-of-home care. The funds cannot be used for direct services. In addition, federal eligibility for these funds is based on a means-tested provision of the old Aid to Families for Dependent Children program as it existed in 1996. Prohibition on the use of Title IV-E foster care funding for service provision has seriously hindered the State's ability to address Child Welfare Services (CWS) needs.

Title IV-B of the SSA provides federal funding for Child Welfare Services (CWS), which include direct services to children and their families to assist with family preservation and family reunification efforts. Title IV-B monies are capped and insufficient to meet the needs of children and families who are referred to local CWS programs. Moreover, the numerous social and economic changes have altered the needs of children and families served by CWS funded programs. As a result children are often placed in out-of-home care to receive needed services.

A. Evolution of Child Welfare in California

In 1998, the United States Department of Health and Human Services (DHHS) established the federal Child and Family Services Review system. California's Child and Family Services Review was conducted in September 2002 and the final report was issued in January 2003. California, along with all other states, did not meet all of the federal standards for the CWS program, this resulted in the creation of California's Program Improvement Plan (PIP) that identifies specific timeframes, performance goals, action steps and discrete tasks. Failure to meet performance objectives could result in up to \$18 million dollars in penalties for the time period covered by the current PIP which ends June 30, 2005.

The California Legislature passed the California Child Welfare System Improvement and Accountability Act of 2001, which required the California Department of Social Services (CDSS) to establish a California Child and Family Service Review System (C-CFSR). The C-CFSR became effective in January 2004. The new system focuses primarily on measuring outcomes in Safety, Permanence and Child and Family Well-Being. As such, California now has a new system of oversight that aligns with the federal Child and Family Service Review monitoring system for the States and recognizes promising practices in CWS. The C-CFSR operates on a philosophy of continuous quality improvement, interagency partnerships, community involvement and public reporting of program outcomes.

Specifically, the new system:

- Holds the State and counties accountable for performance through uniform standards and improvement goals, required county plans approved by

County Board of Supervisors, and regularly published quarterly progress reports.

- Supports the increased effectiveness of social workers that interact with and provide services for children and families.
- Helps drive program and county collaboration to a more community-based, family-focused service system.
- Measures, tracks, and monitors counties on a quarterly basis, looking at outcomes that deal directly with well-documented issues such as keeping siblings in foster care together and ensuring appropriate placements for foster children.

B. Experience with the Current Waiver

In 1997, the CDSS, the University of California, Berkeley evaluation team, participating counties, service providers, communities, and other stakeholders implemented, with federal approval, California's Child Welfare Waiver Demonstration Project (the Intensive Services Waiver). The Intensive Services Waiver was designed to promote permanence for children, divert some children from the dependency system without compromising safety, and facilitate movement of children to a less intensive level of care.

CDSS has gained valuable insight from this phase of the Intensive Services Waiver. Using expenditure data received from the counties, and the required federal cost-neutrality formula, the statewide IV-E Waiver project was found to be not cost neutral. Several variables associated with the cost neutrality outcome will be addressed in the final evaluation report.

Initial feedback from participating counties regarding lessons learned includes: 1) increased participation in case planning by family members produced effective safety and services plans for children to remain in their own homes; 2) interagency partnerships produced more effective, non-duplicative and coordinated services for children and families; 3) solution-based service plans around individual and family strengths, rather than focusing solely on problems, created more opportunities for change.

The participating counties have invested in building an infrastructure that supports interagency, family-centered and strength-based services which includes attention to children's educational and mental health needs. In addition, these counties have integrated policy directions that promote practice improvements, encouraging an alignment with public and private partners, improving systems and community relationships and forming new accountability structures. The results have produced a positive impact on families. The final evaluation outcomes will be reported May 2004. Preliminary results indicate that the children and families that received services were satisfied, but there are no notable differences between the treatment and comparison groups.

II. STATEMENT OF THE PROBLEMS AND PROPOSED PROJECT

A. Statement of the Problems

There are two immediate problems confronting California's CWS that need to be remedied. First and foremost, federal restrictions on the use of Title IV-E funds have greatly limited California's ability to improve the CWS system. This inflexible funding system and restrictive eligibility criteria, based on 1996 program rules, have inhibited California's child welfare system's ability to respond effectively to the needs of vulnerable children and overburdened families.

This dilemma was explored in the March 2004 report funded by the Pew Charitable Trusts and authored by Fostering Results: The Foster Care Straightjacket: Innovation, Federal Financing and Accountability in State Foster Care Reform. Noting record budget challenges, the authors state that "state reform efforts to reform foster care systems are further hampered by rigid federal financing rules that stifle innovation and severely restrict spending on services that could help reduce the number of children in foster care."

Currently, there is an insufficient amount of funding for services and supports for early intervention and to support reunification efforts, which often creates lengthy stays in out-of-home care. Title IV-E funds are restricted to board and care costs and cannot be used to provide services for children and families.

The second problem facing California's CWS is that the Intensive Services Waiver is scheduled to terminate July 31, 2004.

B. Proposed Project Solution

This proposal addresses both problems cited above by advocating: 1) consistent with other State efforts, the use of IV- E funds, via a "capped allocation strategy" to provide direct services to children and families without regard to their federal eligibility or placement in out-of-home care, and; 2) extension of the Intensive Services Waiver during the review, approval and negotiation of the "capped allocation strategy."

This proposal will test a new funding strategy to support practice, program, and system improvements to produce better outcomes for children and families. CDSS, Los Angeles County, and other counties have had ongoing discussions regarding a transition to a next phase of the Demonstration Project due to the need for flexible funding of this kind.

This strategy will allow local child welfare agencies to create a more responsive array of services and supports for families, based on program savings. These savings are generated as a result of a reduction in the number of children placed in out-of-home care, more timely reunifications, reduced dependence on expensive out-of-home care options and performance-based contracts.

County Participation

This proposal is similar to the foster care flexible funding Child Welfare Option proposed in the President's FY 2004 budget and is an example of how a "capped allocation strategy" will enable a county to more effectively serve children and their families at risk of abuse and neglect. Los Angeles County has submitted a waiver proposal to CDSS.

Los Angeles is specifically identified in the PIP with benchmarks, action items and tasks. The State is complying with the federal policy of including the largest metropolitan area in California by including Los Angeles, which has approximately forty percent of the State's foster care caseload.

Los Angeles County and the other counties participating in the Intensive Services Waiver, Alameda, Fresno, Humboldt, Riverside, Sacramento, San Luis Obispo, and up to a total of 20 counties will be able to develop specific strategies and target distinct populations within the capped IV-E allocation. Intensive Services Waiver Counties will participate unless they specifically desire to opt out of the "Capped Allocation" Waiver. In the event that an Intensive Services Waiver county chooses not to participate in the "capped allocation" but expresses a desire to continue to implement Family Conferencing or Wraparound it is our intention to have the Terms and Conditions permit this to occur.

In reviewing other potential county proposals to participate in this waiver, CDSS will evaluate the quality as well as geographic and evaluation considerations. Counties must be able to demonstrate that they are in a strategic position with their community partners to implement rapid changes in the CWS system.

C. Project Period

The Demonstration Period will operate for a period of five fiscal years beginning within the State fiscal year 2004-2005.

The State and individual counties reserve the right to terminate the terms and conditions during the project period if federal or state statutes or regulations are enacted that would have an effect on the design and impact of this project. Under these circumstances DHHS and the State will reassess the overall project and develop a mutually agreed upon strategy for dealing with the project in the context of such changes. If such a mutually agreed upon strategy cannot be developed, the State reserves the right at its sole discretion to withdraw from the project.

Furthermore, the State and each participating county reserve the right to opt out at any time from the waiver project. In such cases, the participating counties will reconcile with the State any costs due to the State and federal governments at that time. Before the waiver project starts, the State and counties will work with the federal government to establish an IV-E penetration rate for each county at the start of the project. That rate will be used to reconcile any federal costs due to the federal government if the State or an individual county chooses to opt out, or the federal government ends the project early or at the end of the waiver period.

III. PROPOSED PROGRAM INTERVENTION

This proposal calls for use of IV- E funds, via a "capped allocation strategy" to provide direct services to children and families without regard to their federal eligibility or placement in out-of-home care. As such, participating counties will not be testing discrete interventions but rather data driven outcome strategies that:

- Are based on evidence-informed and/or promising practices.
- Are cost effective.

- Are tailored to the individual child and family needs.
- Reduce the reliance on out-of-home care.

Strategies such as these will create the efficiencies necessary to create foster care savings, which will fund services and supports not currently available or fundable with IV-E funds.

Nature and Scope of Services

The proposal is guided by principles of our current ongoing CWS system reform and quality assurance process, which will examine the number of children entering and exiting care, children in care and re-entry, as well as the day-to-day local program operations. Los Angeles County mentions in their proposal the desire to examine the impact of the services on the key decision points in the life of a case under child protection, which includes: case opening, placement, reunification, permanency and closure.

Policy and practice innovations exemplified by those outlined below are integral to the evolution of the CWS program in California, and are likely to be replicated by participating counties.

Early Intervention

- Improve screening of incoming telephone calls to the Child Protection Hotline to ensure that families who are not identified with a child abuse or neglect allegation but would be in need of community services are efficiently linked to them.
- Develop a new intake system to allow children and families who require services to be met by community agency response rather than a child protective services emergency response investigation to receive them.
- Utilize team decision making and family conferencing to engage families in developing healthy strategies to prevent future involvement with the child welfare system.

Crisis Intervention

- Develop an expedited response system to ensure that emergency response investigations are initiated in a timely manner, sensitive to the children and families who are in crisis.
- Utilize safety and risk assessment criteria to improve the accuracy and consistency of initial assessment decisions by staff.
- Increase the use of voluntary services so that children can remain safely in their own homes, engaging families to develop safety plans and have ready access to crisis services, including emergency financial assistance and crisis child care.

Intensive Services

- Improve monitoring of contracted providers to ensure that performance outcomes are achieved.

- Expand and develop therapeutic foster family care homes to utilize as an alternative to group home and institutional placement.
- Implement comprehensive screening and consultation with medical providers regarding children's health and dental needs and services.
- Implement comprehensive screening and consultation with mental health providers regarding children's mental health needs and services.

IV. GOALS AND OUTCOMES

A. Goals

The goals of this proposal are the same goals articulated in our PIP and the C-CFSR process. Thus, the primary goals are:

- To increase child safety without an over reliance on out-of-home care
- To improve permanency outcomes and timelines
- To improve child and family well-being, and
- To improve the array of services for children and families and engage families through a more individualized approach that emphasizes family decision-making power in all aspects of case planning, delivery and evaluation of the services and supports they received.

County data profiles, Self Assessments, and System Improvement Plans will form the basis of specific goals and expected outcomes that may be unique to their local jurisdiction. All county specific goals will be consistent with the goals noted above.

B. Outcomes and Performance Measurements

The California Child Welfare System Improvement and Accountability Act of 2001 requires a series of measures that provide indicators of key program outcomes, processes, and receipt of critical services. The performance measurements identified below are focused on child safety, placement stability, family relationships, and child well-being. Data are currently available which will be provided to counties for initial and ongoing assessments of their program's performance. Under the new Outcomes and Accountability System, it is expected that the State will not only improve its performance on the federal indicators but on an even broader set of state enhanced indicators.

Safety Outcomes

- Recurrence of Maltreatment
This measure reflects the percent of children who were victims of child abuse/neglect with a subsequent substantiated report of abuse/neglect within specific time periods.
- Rate of Child Abuse and/or Neglect in Foster Care
This measure reflects the percent of children in foster care who are abused and/or neglected while in foster care.

- Rate of Recurrence of Abuse and/or Neglect in Homes Where Children Were Not Removed.
This measure reflects the occurrence of abuse and/or neglect of children who remain in their own homes receiving child welfare services.
- Percent of Child Abuse and/or Neglect Referrals with a Timely Response
This is a process measure designed to determine the percent of cases in which face to face contact with a child occurs, or is attempted, within the regulatory time frames in those situations in which a determination is made that the abuse and/or neglect allegations indicate significant danger to the child.
- Timely Social Worker Visits With Child
This is a process measure designed to determine if social workers are seeing the children on a monthly basis when required. Children for whom a determination is made that monthly visits are not necessary (e.g. valid visit exception) are not included in this measure.

Permanency and Stability Outcomes

- Length of Time to Exit Foster Care to Reunification
This is an outcome measure reflecting the percent of children reunified within 12 months of removal of a child from the home.
- Length of Time to Exit Foster Care to Adoption
This is an outcome measure reflecting the percent of children adopted within 24 months of removal of a child from the home.
- Multiple Foster Care Placements
These measures reflect the number of children with multiple placements within 12 months of placement.
- Rate of Foster Care Re-Entry
This measure reflects the number of children who re-enter foster care subsequent to reunification or guardianship.

Family Relationships and Community Connection Outcomes

- Siblings Placed Together in Foster Care
These measures reflect the number of children placed with all or some of their siblings in foster care.
- Foster Care Placement in Least Restrictive Settings
This measure reflects the percent of children placed in each type of foster care setting.
- Rate of Indian Child Welfare Act (ICWA) Placement Preferences
This measure reflects the percent of Indian Child Welfare Act eligible children placed in foster care settings defined by the ICWA.

Well-Being Outcomes

- Children Transitioning to Self-Sufficient Adulthood
This measure reflects the percent of foster children eligible for Independent Living Services who receive appropriate educational and training, and/or achieve employment or economic self-sufficiency.

V. TARGET POPULATION

Based upon California's most recent census data, there are approximately 35,000,000 people in California of which over 10,500,000 are identified as children. At least 600,000 children annually have direct contact with county CWS systems. As of January 2004, there were 84,932 children in out-of-home placements of which 47,220 were under the jurisdiction of Los Angeles and the current waiver counties.

The target population will include children at risk of entering or re-entering foster care or who are already in out-of-home care. Thus, as a result of this proposal, over 65 percent of the open CWS cases in California could benefit from the use of flexible IV-E funds.

VI. HYPOTHESIS TO BE TESTED

To what extent, will the use of flexible IV-E funds for services lead to different child and family outcomes?

VII. EVALUATION PLAN

The evaluation will consist of both a process study, and a pre-post outcome study. The evaluation of this intervention is subject to approval by the Institutional Review Board (IRB) of the California Health and Human Services Agency (CHHSA). This proposal provides for in county system-wide reform with the purpose of improving services to the children served by the California Child Welfare Services System. Services will be provided to all children within the participating counties. Since this type of system reform does not lend itself to a true experimental design, there is no need for random assignments to experiment or control groups. This waiver proposal strives for a very comprehensive system redesign, which deals with a needs and task analysis, program planning, implementation, and evaluation.

There will be two evaluation components: a Process Study and an Outcome Study. The evaluation components in each participating county will be described in detail in a Memoranda of Understanding between CDSS and the counties. An independent evaluator with experience and familiarity with these programs will participate.

A. Process Study

The Process Study will consist of observing, recording, analyzing, and monitoring county level interventions including Crisis Intervention, Intensive Services, and other identified Outcomes. Participating counties may be responsible for conducting their own process study. The State will oversee county process studies to assure appropriate scope and quality.

B. Outcome Study

As outlined here, this is a descriptive observational study that uses a pre and post comparison of results (using the specified outcomes described above) to make a statement of observation. Outcome studies will be conducted in all participating counties, with final evaluation reports submitted to CDSS within six months following completion of the intervention, and annual interim evaluation reports. County outcome studies will include trend analyses, documentation of the results, pre and post comparisons and, recommendations for the future. Outcome measures developed as required by our new Outcomes and Accountability process will be used to evaluate the impact of the intervention.

VIII. COST NEUTRALITY AND PROPOSED FISCAL MODEL

California proposes to use a capped Title IV-E allocation model to fund the Title IV-E Waiver Project. The capped allocation approach will help California ensure cost neutrality over the five-year Project timeline. The amount of the capped Title IV-E funds will be determined using a base year approach for administration and assistance costs. Using each county's base year data, the State will establish annual maximum grant amounts over a five-year period. The allocated amounts will factor in a projected foster care expenditure growth rate, similar to the 4.2 percent growth rate outlined in the preliminary federal guidelines for the foster care flexible funding Child Welfare Option proposed in the President's FY 2004 budget. Counties will have the option of receiving a greater share of the annual allotment in the early years up to five percent.

Each county will be allowed some flexibility regarding the type of Title IV-E costs included in the capped allocation and those that will be excluded. Some Title IV-E costs that could be excluded include:

- Training
- Adoption administration and assistance payments
- Non-recurring Adoption Cost Reimbursements
- SACWIS
- Licensing
- Probation Departments' Foster Care administration and assistance payments

Time limited administrative costs associated with the development of the Waiver Project and evaluation costs would also be excluded from the capped allocation amount.

IX. STATUTORY AND REGULATORY REQUIREMENTS

We are requesting that at a minimum the following sections of Title IV-E of the Social Security Act be waived:

1. Section 471(a) (3): To allow the State to conduct the Demonstration on less than a Statewide basis.
2. Section 471(a) (1), 472(a) (b) (e) and (h), 472(a) and 477(a) (2): Expanded Eligibility: To allow the State to expend Title IV-E funds for children and families who are not normally eligible under Part E of Title IV of the Act.

3. Section 474(a)(3)(E) and 45 CFR 1356.60(c)(3): Expanded Services: To allow the State to expend Title IV-E funds to pay for services (make payments for services) that will be provided to children and their families that are not normally covered under Part E of Title IV of the Act.

X. RELATED PROJECTS UNDERWAY IN CALIFORNIA

CDSS has undertaken various federal and statewide projects that demonstrate the Department's ability to implement this proposal. The following provides a brief description of two projects currently underway.

The Title IV-E Child Welfare Waiver Demonstration Project—The Demonstration Project was approved by the DHHS on August 19, 1997. An Intensive Services Component includes seven participating counties. This Demonstration Project is operating under a 10-month "bridge extension" until July 2004. A request for a 5-year extension is pending subject to the review of the final evaluation scheduled to be submitted in May 2004. However, should this current proposal be approved there may be no need for that extension. Counties were permitted to use Title IV-E and State foster care funds for intensive services applying the interventions of Wraparound and Family Conferencing. The goals of the Demonstration Project were to reduce out-of-home placements and/or divert children in placement to less restrictive, more permanent, family settings. The existing Wraparound program has been successful in moving children from high-end intensive congregate care facilities to lower levels of care with additional supports, as well as to return a significant number of children with high needs to their biological families. With Family Group Conferencing/Family Group Decision-making, families have articulated a high level of satisfaction with a process that values the family and extended family support. The CDSS has gained invaluable insight from lessons learned from this phase of the current Demonstration Project. The participating counties have invested in building an infrastructure that can be expanded under the new proposed waiver.

Answers Benefiting Children (ABC)-ABC was a collaborative effort among the CDSS, Office of Child Abuse Prevention, Office of Criminal Justice Planning and county partners. Funding sources included: Child Abuse Prevention, Intervention and Treatment, Child Abuse Prevention and Treatment Act, State Children's Trust Fund, Promoting Safe and Stable Families and Community Based Family Resource and Support. ABC was a home visiting and family support prevention initiative funded and administered by CDSS, Office of the Child Abuse Prevention and the Governor's Office of Criminal Justice Planning. Collectively, the 17 counties developed and implemented 47 family resource centers, which are still operating. The key component of the ABC program was the collaboration among county agencies and non-profits to avoid duplication of efforts and to achieve program sustainability to prevent child abuse and neglect.

XI. AUTOMATED CHILD WELFARE SYSTEM

California's statewide central automated Child Welfare Services Case Management System (CMS/CWS) has been operational since December 1997. Counties are responsible for inputting data on CWS/CMS as part of their process to manage their caseloads of children and their families who receive child welfare services. For each child client, it functions as an electronic case file folder that can also provide

program data as a direct result of the relational database architecture and the number of discrete data fields in the design. The CWS/CMS will be used by the State to track outcomes and to provide data that will be used to measure results and program effectiveness.

To the extent that the existing data base captures data that is needed to assess the performance of the counties there should be no additional impact on our CWS/CMS system.

XII. PUBLIC INPUT

The State has met with the seven current waiver counties, other potentially interested counties, and other stakeholders about the proposal. On January 5, 2004, counties were provided with conceptual information about the State's intention to submit the proposal. Los Angeles County presented information that was specific to their county and shared the nature of their planning efforts to develop the necessary infrastructure to support their proposal. Meetings were conducted among county administrators, children and family services agency representatives, state officials and CDSS staff.

A public meeting was held in Los Angeles on December 9-10, 2003, related to the approval to move forward with submitting a proposal to the State. The design process for the proposal has been a public/private collaboration between state, county, and national and local public welfare and child welfare leaders.

In Los Angeles County, the collaboration has included: 1) Los Angeles County Department of Children and Family Services, 2) Government Affairs/ American Public Human Services Association, 3) The Youth Campus, 4) Children's Law Center of Los Angeles, and 5) California Department of Social Services.

On March 19, 2004, the CDSS convened a workgroup of interested stakeholders to discuss foster care reform ideas, including the proposed IV-E Waiver. Participants included county staff, children and family advocates, legislative staff, court representatives, other state departments, and service providers. Input from the group regarding the proposal was included.

XIII. GENERAL ASSURANCES

A. Court Orders

There are no existing court orders against the State that are related to this waiver proposal. However, a class action suit (entitled Katie A et al v. Bonta et al) has been filed against CDSS, Department of Health Services and Los Angeles County alleging, among other things, that children in foster care or "at imminent risk of foster care placement" are not being provided adequate services, including mental health services. At this point in the litigation, there has been a statewide class certified, but there are no other court orders pending against the State. Los Angeles has entered into a settlement with the plaintiffs that requires that the county take specific steps to improve services to children in the class in Los Angeles County. The county has informed the court that implementation of their settlement agreement will be furthered by an IV-E waiver that would allow the "flexible use" of IV-E funds.

B. County and Judicial Cooperation

The State agrees to execute all the necessary Cooperative Agreements with participating counties prior to the implementation of the Demonstration Project. The CDSS will provide information to all participating counties about the Proposed Demonstration Project requirements. CDSS will assure that private agencies that contract to work with the counties will follow all department mandates, policies and guidelines.